

**M/S Tarhe Naw Food Industries Company
Audited Financial Statements**

For the Period Ended February 28, 2020



Avais Hyder Liaquat Nauman
Chartered Accountants

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Independent Auditor's Report To

M/S Tarhe Naw Food Industries Company

We have audited the accompanying financial statements of **M/S Tarhe Naw Food Industries Company** (here-in-after referred to as "**the company**") which comprise balance sheet as at February 28, 2020 and statement of comprehensive income, statement of changes in equity and statement of cash flows for the period ended February 28, 2020 and a summary of significant accounting policies and other explanatory notes.

Basis for Qualification

We did not observe the counting of physical inventories amounting to US \$ 9,892,849 as at February 28, 2020 since the date was prior to our appointment as an auditor of the company.

Opinion

In our opinion, except for the effect on the financial statements of the matter referred to in the preceding paragraph, the financial statements give a true and fair view of the financial position of company as at February 28, 2020, and of its financial performance, statement of changes in equity and its statement of cash flows for the period ended February 28, 2020 in accordance with International Financial Reporting Standards (IFRSs) for Small and Medium-Sized Entities (SMEs).

Basis for Opinion

We conducted our audit in accordance with the International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are independent of the company in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (IESBA Code) and we have fulfilled our other ethical responsibilities in accordance with these requirements and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

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Responsibilities of Management and Those Charged with Governance for the Financial Statements

The management is responsible for the preparation and fair presentation of the financial statements in accordance with the International Financial Reporting Standards (IFRSs) for Small and Medium Sized Entities (SMEs) and for such internal control as management determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the management is responsible for assessing the company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

● Those charged with governance are responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

● As part of an audit in accordance with ISAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statement, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Entity's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



Avais Hyder Liaquat Nauman;
Chartered Accountants
Muhammad Arif Saeed, FCA
Engagement Partner
Kabul


Date: 3 April, 2021

M/S Tarhe Naw Food Industries Company
Statement of Financial Position
As at February 28, 2020

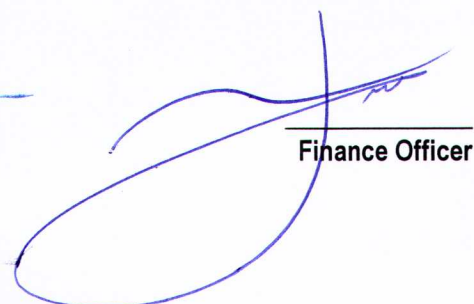
	Note	Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar
Non-Current Assets:			
Fixed assets	4	6,465,206	6,586,126
Capital asset in progress		154,961	144,520
		6,620,167	6,730,646
Current Assets			
Stock in trade	5	9,892,849	9,882,115
Trade debtors	6	515,439	652,799
Cash and bank balances	7	3,106,569	1,198,580
		13,514,857	11,733,494
Total Assets		20,135,024	18,464,140
Equity & Liabilities:			
Equity			
Partner's capital	8	13,408,567	12,988,138
Retained earnings	9	4,837,753	4,513,374
		18,246,320	17,501,512
Payables		1,888,705	962,628
Total Capital & Liabilities		20,135,024	18,464,140

Auditors' Report annexed.

The annexed notes form an integral part of these financial statements.


President

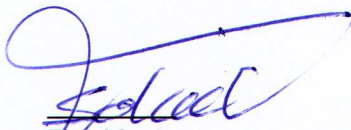



Finance Officer

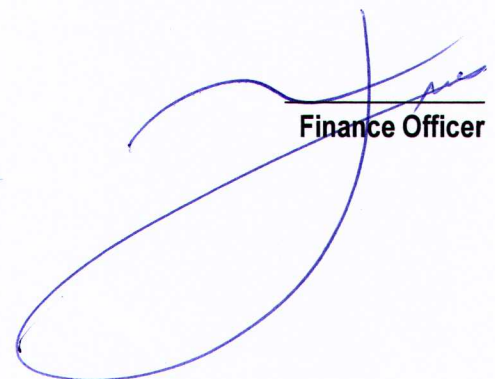
M/S Tarhe Naw Food Industries Company
Statement of Comprehensive Income
For the Period Ended 28 February, 2020

	Note	Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar
Sales	10	3,972,260	1,996,565
Cost of sales	11	(3,384,305)	(1,598,783)
Gross profit/(Loss)		587,955	397,782
General and administrative expenses	12	(272,614)	(139,778)
Other Income		9,038	26,283
Profit / (Loss) before taxation		324,379	284,287
Provision for tax		-	-
Net profit / (Loss)		324,379	284,287

The annexed notes form an integral part of these financial statements.


President





Finance Officer

M/S Tarhe Naw Food Industries Company
 Statement of Changes in Equity
 For the Period Ended 28 February, 2020

	Capital	Accumulated Profit	Total Owner's Equity
	-----USD-----		
Balance as at January 01, 2019	13,822,766	4,229,086	18,051,852
Capital introduced	-	-	-
Drawings	(834,627)	-	(834,627)
Profit for the year	-	284,287	284,287
Balance as at May 31, 2019	12,988,139	4,513,373	17,501,512
Balance as at June 01, 2019	12,988,139	4,513,373	17,501,512
Capital introduced	576,000	-	576,000
Drawings	(155,571)	-	(155,571)
Profit for the year	-	324,379	324,379
Balance as at February 28, 2020	13,408,568	4,837,752	18,246,320


 President



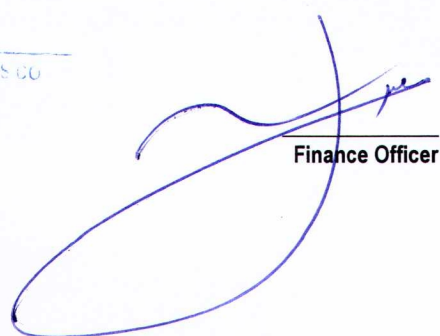

 Finance Officer

M/S Tarhe Naw Food Industries Company
Cash Flow Statement
For the Period Ended 28 February, 2020

		Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before taxation		324,379	284,288
Adjustments for:			
Depreciation	4	168,054	94,557
Operating cash flows before working capital changes		492,432	378,845
(Increase)/ decrease in current assets:			
Stock in trade		(10,734)	(241,879)
Trade debtors		137,360	438,323
Increase/(decrease) in current Liabilities:		926,074	(769,970)
Cash generated from operations		1,052,700	(573,526)
Net cash generated from/(used in) operating activities		1,545,133	(194,681)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of fixed assets		(47,134)	(5,850)
Capital Asset in progress		(10,441)	(22,449)
Net cash used in investing activities		(57,575)	(28,299)
CASH FLOWS FROM FINANCING ACTIVITIES			
Capital introduced during the year		576,001	-
Drawings		(155,571)	(834,627)
Net cash flow from financing activities		420,430	(834,627)
Net increase/ (decrease) in cash and cash equivalents		1,907,987	(1,057,607)
Cash and cash equivalents at the beginning of Year/Period (Unaudited)		1,198,581	2,256,187
Cash and cash equivalents at the end of Year/ Period		3,106,569	1,198,580


President




Finance Officer

M/S Tarhe Naw Food Industries Company
Notes to the Financial Statements
For the Period Ended 28 February, 2020

1 Legal status and operations

M/S Tarhe Naw Food Industries Company is registered with Afghanistan Investment Support Agency (AISA), as a Company bearing License No. D-03-922. Its registered Office is situated in Herat city of Afghanistan. The company is engaged in the business of Production of Flour and its sales in all major cities of Afghanistan. The company is owned by two partners; Mr. Ahmed Sohail and Mr. Ahmed Zubair (Vice President). Both the Partners have equal shares in the company.

2 Statement of compliance

These financial statements have been prepared in accordance with the International Financial Reporting Standards (IFRS) adopted for Small and Medium-Sized Entities (SMEs).

3 Summary of significant accounting policies

3.1 Accounting convention

These financial statements have been prepared under the historical cost convention.

3.2 Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation. The depreciation is calculated by using reducing balance method.

Full month depreciation is charged in the month of purchase and no depreciation in the month of disposal.

Maintenance and normal repairs are charged to income as and when incurred. Major renewals and replacements are capitalized.

Gains or losses on disposal of fixed assets are recognized as income or expense in the year of disposal.

3.3 Inventories

Inventories are stated at the lower of average cost and net realizable value. Net realizable value represents the estimated selling price in the ordinary course of business less necessary cost to make the sale.

3.4 Cash and cash equivalents

For the purpose of cash flow, cash and cash equivalents includes cash in hand and balances with banks.

3.5 Provisions

Provisions are recognized when the company has a present legal or constructive obligation as a result of past events and it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

3.6 Trade debts

Sales made on credit are included in trade debts and are carried at cost which is the fair value of the consideration to be received in the future for the goods delivered whether or not billed by the company.

3.7 Revenue recognition

Revenue is recognized on accrual basis and measured at the fair value of consideration received or receivable. It is recorded at the times of dispatch of goods to customers.

3.8 Foreign currency transactions

Foreign currency transactions are recorded at rates in effect at the date of transactions.

Notes to the financial statements

4 Fixed Assets Schedule

Description	Cost			Rate %	Accumulated Depreciation			W.D.V.
	As at 01-06-2019	Addition/ (Deletion)	As at 28-02-2020		As at 01-06-2019	For the year	As at 28-02-2020	As at 28-02-2020
	-----USD-----				-----USD-----			
Land	1,858,801	-	1,858,801	-	-	-	-	1,858,801
Building	1,713,500	-	1,713,500	3	325,186	31,237	356,423	1,357,077
Plant and Machinery	4,577,820	45,394	4,623,214	5	1,363,672	122,233	1,485,905	3,137,309
Furniture and fixtures	14,500	1,740	16,240	10	4,278	897	5,176	11,064
Laboratory equipment's	132,000	-	132,000	15	88,828	4,857	93,685	38,315
Office equipment's	149,994	-	149,994	15	99,577	5,672	105,249	44,745
Vehicles	78,502	-	78,502	20	57,450	3,158	60,608	17,894
	2020	47,134	8,572,251		1,938,991	168,054	2,107,045	6,465,206
	2019	5,850	8,525,117		1,844,434	94,557	1,938,991	6,586,126

4.1 The depreciation charged for the year has been allocated as follows:

	<u>Feb-20</u>	<u>May-19</u>
Cost of sales	134,443	75,646
General and administrative expenses	33,611	18,911
	<u>168,054</u>	<u>94,557</u>

Notes to the financial statements - Continued

		Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar
5 Stock in trade			
5.1 Wheat in stock		9,490,834	9,882,115
5.2 Flour in stock		402,015	-
		<u>9,892,849</u>	<u>9,882,115</u>
6 Trade debtors		515,439	652,799
7 Cash and bank balances			
Cash in hand	7.1	1,178,837	568,288
Cash at bank	7.2	600,882	168,985
Cash with Sarafi		1,326,850	461,307
		<u>3,106,569</u>	<u>1,198,580</u>
7.1 Cash in hand			
Cash in hand -USD		715,478	282,141
Cash in hand -Afghani		463,359	286,147
		<u>1,178,837</u>	<u>568,288</u>
7.2 Cash at bank			
Afghanistan International bank (USD)		600,882	167,278
Afghanistan International bank (Afghani)		-	1,707
		<u>600,882</u>	<u>168,985</u>
8 Partners Capital			
Opening balance		12,988,138	13,822,765
Capital introduced during the year		576,000	-
Less: Drawings		(155,571)	(834,627)
		<u>13,408,567</u>	<u>12,988,138</u>
9 Retained earnings			
Opening balance		4,513,374	4,229,086
Profit / (Loss) during the year		324,379	284,288
		<u>4,837,753</u>	<u>4,513,374</u>
10 Sales			
Flour		3,653,015	1,871,545
Wheat		12	-
Bran		315,263	120,683
Other Sales		5,223	4,594
		<u>3,973,513</u>	<u>1,996,822</u>
Less: Sales Discount		(1,253)	(257)
		<u>3,972,260</u>	<u>1,996,565</u>

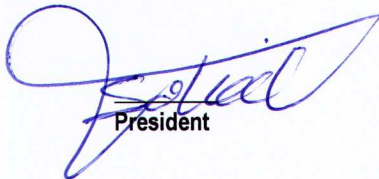
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Notes to the financial statements - Continued

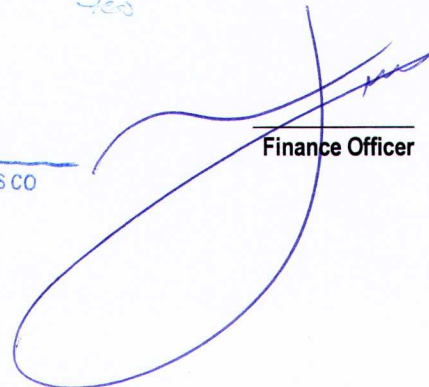
		Nine (9) Months 1-Jun-19 to 28-Feb-20 US Dollar	Five (5) Months 1-Jan-19 to 31-May-19 US Dollar
11 Cost of sales			
Raw materials			
Opening stock		8,992,108	8,999,435
Purchases		3,071,927	1,635,379
Less: Closing Stock		(9,490,834)	(8,992,108)
Materials Consumed		2,573,201	1,642,706
Wages		35,434	28,107
Other operational expenses		153,235	101,531
Depreciation	4.1	134,443	75,646
		323,112	205,284
Cost of goods manufactured		2,896,313	1,847,990
Finished goods			
Opening stock		890,007	640,800
Closing stock		(402,015)	(890,007)
		487,992	(249,207)
Cost of sales		3,384,305	1,598,783
12 General and administrative expenses			
Salaries		56,679	50,160
General expenses employees		28,306	11,728
Depreciation	4.1	33,611	18,911
Municipality tax		20,429	48,000
Income Tax		93,152	335
Marketing expense		38,400	9,850
Admin expenses		553	521
Miscellaneous expense		1,485	271
		272,614	139,778

13 General

Figures have been rounded off to the nearest US Dollar.


President



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Finance Officer